



**Alberta Jobs, Economy
and Innovation**

Small and Medium
Enterprise Relaunch
Grant Program

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Related Reports

- *Municipal Operating Support Transfer and Municipal Stimulus Program—November 2022*
- *COVID-19 Capital Stimulus Initiative—November 2022*
- *Delivery of COVID-19 Emergency Isolation Support Program—March 2022*

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Report Highlights

SMERG

Announced in June 2020, the Small and Medium Enterprise Relaunch Grant program provides financial assistance to eligible Alberta organizations that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. p. 91

As of March 31, 2022, Alberta Jobs, Economy and Innovation spent about **\$670 million on the program**. p. 91



The department had effective systems to design and deliver the SMERG program.

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Improvements should be made to the monitoring and reporting systems.

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We recommend

the department complete processes to verify the eligibility of approved applicants. The department cannot currently conclude the majority of program recipients were eligible for the program.

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About This Audit

The COVID-19 pandemic caused wide-spread disruption to the provincial and local economies, and for all Albertans. In response, the government quickly developed and delivered various programs to provide financial assistance to those affected. It did this during an unprecedented global health emergency which placed significant limitations and pressures on government financial and human resources.

In June 2020, the Alberta government announced the Small and Medium Enterprise Relaunch Grant (SMERG) program.²⁰ SMERG provided financial assistance to Alberta organizations (businesses, cooperatives, and non-profit entities) that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. The first phase of the program rolled out on June 29, 2020, with two more phases that increased program eligibility in December 2020 and April 2021.

Eligible organizations could use the SMERG funding as they saw fit to help offset the impact of new public health measures or their relaunch costs. For instance, organizations incurred costs in minimizing virus transmission, which could include building physical barriers or buying personal protective equipment and disinfecting supplies.

The Department of Jobs, Economy and Innovation's budget for SMERG was \$575 million for 2020-2021 and \$168 million for 2021-22. As of March 31, 2022, the department spent about \$670 million to help more than 48,000 organizations that collectively employed over 345,000 people.²¹

Eligible organizations received an average of \$18,000 (out of a \$30,000 maximum) from SMERG. The amount was based on their reduced revenue because they had to close or curtail their operations due to the pandemic.²¹

Our findings are important to understand how processes can be improved. These findings serve as learnings for government in the design of future benefit programs. Where process improvement has been identified and can still positively impact the achievement of the program's objective, a recommendation was made.

Objective and Scope

The objective of our audit was to conclude whether the Department of Jobs, Economy and Innovation had effective systems to design, deliver, monitor and report on the Small and Medium Enterprise Relaunch Grant (SMERG) program for the period of March 1, 2020 to March 31, 2022.

We did not examine management's comprehensive program evaluation, which was not completed at the time of our audit.

Criteria

The department should have effective systems to:

- design the program to align with the government's strategic objectives and goals
- deliver the program
- monitor the delivery of the program and identify opportunities for improvements
- collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the program

We established our audit criteria based on:

- Government of Alberta (GoA) grants best practices, 2003
- GoA Accountability Framework
- ISO 31000 – Enterprise Risk Management
- Financial Management Manual
- Corporate Accounting Policy – Government Transfers

²⁰ A business qualifies as small or medium if it has less than 500 employees (full time, part time and contract).

²¹ *Annual Report—Jobs, Economy and Innovation—2021-2022*, page 19.

Department management acknowledged the suitability of the audit criteria on April 1, 2022.

What We Examined

We examined the department's systems to design, deliver, monitor and report on the SMERG program. We:

- examined public documentation and data
- examined policies, procedures, guidelines, training and other relevant documentation
- performed walkthroughs of various key controls
- met with key stakeholders to understand the program and related systems
- performed analytics on data from the grant system and from management
- examined how compliance with program eligibility criteria was monitored and reported, and how identified improvements were implemented

We completed our audit on September 21, 2022.

Conclusion

Based on our audit criteria, we conclude the department had effective systems to design and deliver the SMERG program. Improvements should be made to monitoring and reporting systems.

We recommend the department complete processes to verify the eligibility of approved applicants. The department designed the program to obtain supporting documentation from applicants to verify their eligibility after receiving benefit payments rather than at the time of application. This approach was reasonable given the desire to get funding to applicants quickly. We found the department has requested support from 1,055 of 101,762 approved applications. The department cannot currently conclude that the majority of recipients were eligible for the program.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.



Why This Conclusion Matters to Albertans

The Small and Medium Enterprise Relaunch Grant was developed to help Alberta organizations that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. The government allocated about \$740 million to the program. Albertans deserve to know the government used these funds effectively to promptly support eligible organizations.

Detailed Findings and Recommendations

Program Design

Context

A robust program design process is foundational to the success of a program. This process begins with a needs assessment to:

- understand the current environment and intended recipients
- identify the problem, gap or need
- gather relevant data, and
- determine actions and how to proceed

The program design also requires an approval process for the initial design and later changes.

Criteria

The department should have effective systems to design the program to align with the government's strategic objectives and goals. It should:

- analyze relevant data and risks to inform the design of the program
- document clear goals, objectives, and requirements
- identify and develop the processes, internal controls, resources, and information systems needed to effectively deliver, monitor and report on the program
- develop relevant internal and external performance measures to evaluate the effectiveness of the program
- obtain required approvals to implement and deliver the program

Our findings

Key findings

The department:

- analyzed industry and jurisdictional data to guide program design
- developed guidelines to document the program objective and requirements
- identified key activities and risks to develop processes and controls
- established only one performance measure which did not evaluate the overall effectiveness of the program
- obtained proper approvals for the program

The department analyzed industry and jurisdictional data to guide program design

To understand the needs of small and medium organizations impacted by the pandemic and to identify current and potential income support gaps, the department:

- reviewed existing and potential provincial and federal programs
- reviewed information from the Canadian Federation of Independent Business and Alberta Chamber of Commerce
- performed jurisdictional scans of similar programs
- performed data analytics on industry statistics

The department used this information in designing the program.

The department developed guidelines to document the program objective and requirements

Department planning documents showed the program used an approach similar to a Saskatchewan program. The department set an initial SMERG benefit payment based on 15 per cent of a business's monthly revenue up to \$5,000. Later phases of the program modified these thresholds as new industry statistics became available.

We examined the June 2020 program guidelines and found the program objective and requirements were clearly documented.

The department identified key activities and risks to develop processes and controls

Based on our examination of the department's documentation, program inputs, outputs, key activities, and outcomes were identified and detailed processes were developed for key activities.

The department created a risk register to identify, evaluate, and manage major risks for the planning, design, implementation and delivery phases of the program. Risks were scored based on impact and probability and risk treatment strategies were developed. Treatment strategies included:

- having experienced staff design, implement and deliver the program
- auto-approving payments for low-risk applications
- implementing system controls to flag applications for manual review
- requiring applicants to attest they met all eligibility criteria
- developing a post-payment review plan
- developing thorough staff training and orientation supported with manuals
- having two separate people perform the manual review
- developing a decision review process for appeals
- developing an application portal for applicants to view the status of their application
- creating a dedicated email address for applicants

Our examination of these strategies confirmed they were implemented except for staff training. Management did not provide staff training and orientation before the program started. Staff delivering the program also helped design it, so they had detailed knowledge of its processes. The department eventually evolved the detailed processes and program guidelines into comprehensive policy and procedure manuals.

The department established only one performance measure which did not evaluate the overall effectiveness of the program

The department established one performance measure: applications would be processed and payments issued within 10 business days²² following submission (if applicants provided complete and accurate information). However, performance measures were not established for all program desired outcomes. Program outcomes included:

Eligible Alberta businesses, non-profit organizations and cooperatives:

- that requested support are provided with financial assistance (immediate outcome)
- that requested aid are supported and able to reopen (intermediate outcome)
- are recovered (ultimate outcome)

The department obtained approvals for the program

The department provided various documents indicating the Treasury Board Committee approved the budget on June 4, 2020 and the Priorities Implementation Cabinet Committee approved program parameters on June 8, 2020.

To get payments to applicants quickly, the SMERG program required a deviation from the standard grant process of verifying applicant information prior to providing funding. The department received approval to deviate from standard process from the Contracts and Grants Review Committee (CGRC) on July 16, 2020. Based on our review of the CGRC submission, the department indicated audit processes were being finalized to ensure program monitoring is in place for both compliance and outcomes.

²² For the third phase of the SMERG program the processing time was changed to 14 business days.

Program Delivery

Context

For a government program to be effective in achieving its objectives, the department needs processes to ensure intended recipients know about the program and how to apply. Processes include determining what data to collect and retain, monitoring the volume of applications received to ensure approved funding is available, and ending the program early if all approved funding has been distributed.

Organizations must have well-understood application assessment processes to ensure funding approvals are completed consistently and appropriately applied to program eligibility criteria. Results of the assessment process must be completed and communicated to the applicants on a timely basis. Applications assessed as ineligible need to include why the application was denied.

Criteria

The department should have effective systems to deliver the program. It should:

- clearly communicate the program, eligibility criteria, conditions, and application requirements to potential applicants
- have processes to obtain applications and to evaluate and approve applications consistently against program rules to verify only eligible applicants are provided funding
- disbursed funds in a timely manner according to program requirements

Our findings

Key findings

The department:

- developed guidelines to communicate program details to potential applicants
- had an online system to obtain and evaluate applications consistently
- did not always meet their target to disburse funds within 10 business days

The department developed guidelines to communicate program details to potential applicants

The department created and documented guidelines for the SMERG program. These guidelines clearly set out the terms and conditions of the program, including its objective, key dates and contacts, revenue calculations and assessments, eligibility requirements, how to apply and audit and compliance information. Guidelines were posted on the department's website.

The Government of Alberta also communicated SMERG information via news releases and on its website.

The department had an online system to obtain and evaluate applications consistently

The department designed automated program application and review processes so funds could reach eligible applicants promptly.

Applicants submitted applications to the department via an online application system. Applicants had to attest their organization met all program eligibility requirements, including organization and revenue information. No supporting information had to be submitted at the time of application.

Online application system assessments

The department programmed several automated controls into the online application system to quickly assess the application. These include incomplete data fields or failure to meet the program criteria for minimum revenue reduction. In addition, all unregistered sole proprietor applications were not automatically processed due to the inability to verify business information through the Alberta corporate registry. If no applicant data issues were identified by the online application system, the application was automatically approved and submitted for payment. A member of the department's finance team reviewed payment information and approved payment.

Manual review of applications

For applications where the system identified data issues or for applications from an unregistered sole proprietor, the application was manually reviewed. Manual reviews may have required applicants to clarify or provide more information to validate their application before program staff approved it. Approved applications were forwarded for payment.

If the manual review found an applicant was ineligible, the applicant was notified by email.

Program staff performed system implementation and user acceptance testing of the above processes. We examined documentation to verify this testing.

The department did not always meet their target to disburse funds within 10 business days

Program guidelines indicated applications would be processed and payments issued within 10 business days²³ following submission of complete and accurate applications. We sampled several program status reports and found processing and payment information was not consistently tracked and not all system approved applications were processed and paid within 10 business days.

Program Monitoring

Context

Oversight of the approval process is critical to ensure consistency and accuracy. Quick identification of mistakes and discrepancies in the approval process must be corrected and the process promptly adjusted. The department needs consistent processes to receive and respond to complaints and appeals from applicants initially denied.

Criteria

The department should have effective systems to monitor the delivery of the program and to identify opportunities for improvements. It should:

- provide a level of assurance that payments are valid and paid in accordance with program policy guidelines, procedures and eligibility requirements and identify any payments made in error and determine an appropriate course of action
- identify, evaluate and manage risks, including complaints, during the delivery of the program
- identify opportunities for continuous improvement of the program and systems to deliver the program or similar programs

Our findings

Key findings

The department:

- verified the eligibility of 1,055 of 101,762 approved applications. The department cannot currently conclude on program recipients' eligibility.
- identified new program risks and strategies during program delivery
- identified ways to improve and made program changes

²³ For the third phase of the SMERG program the processing time was changed to 14 business days.

The department verified the eligibility of 1,055 of 101,762 approved applications. The department cannot currently conclude on program recipients' eligibility.

The department implemented two sets of controls—system controls and post-payment eligibility verification controls—to identify questionable or missing information in submitted applications, verify eligibility of applicants and confirm payments were valid.

System controls

As noted in the program delivery section, automated system controls were designed to validate specific eligibility requirements on submitted applications and flag anomalies for manual review.

Post-payment eligibility verification

In the design phase of the program, the department identified the deviation from traditional grant practices as a risk. Given the emergency nature of the program and the need to get funds out quickly, the department did not require applicants to provide supporting documentation of eligibility at the time of application. Rather, it would obtain support from a reasonable sample of benefit recipients to verify their eligibility after the issuance of payment.

In December 2021, the department developed a post-payment eligibility verification plan based on a value-for-effort model, which would segregate benefit recipients into a high or low risk category. By doing so, the department could focus a different eligibility verification testing strategy on applications classified as high risk and high dollar value from those low risk and low dollar value.

The department classified 5,462 applications as high risk with a total value of \$48 million (eight per cent of total program benefits paid). The remaining 96,300 applications were categorized as low risk (92 per cent or \$609 million of benefits paid).²⁴

The department selected 1,055 high-risk applications for post-payment eligibility verification. At the time of our writing, the department concluded 52 per cent (546/1,055) of the applications selected for post-payment eligibility verification did not fully meet the eligibility criteria because recipients could not provide complete supporting documentation for their eligibility. The assessed ineligible recipients represent a benefit overpay of more than five million dollars.

The department sent letters to these applicants telling them they have 30 days to repay the funds or make other arrangements. Otherwise, the file would be sent to Alberta Crown Debt Collections. At the time of writing, the department has recovered \$562,000.

Management is considering next steps to assess these results.

We found the department has not requested eligibility supporting documentation for applications it categorized as low risk. As a result, the department has no evidence to conclude these applications have adequate documentation to support their program eligibility.

²⁴ At the time of our audit, approved applications with total benefit payments of approximately \$13 million had not been assessed for risk.

Payment Eligibility Verifications Completed Based on Assessed Risk

Assessed Risk	Approved Applications	Benefit Payments		Payment Eligibility Verifications Completed	Payments Assessed as Ineligible	
		Amount	Percentage		Count	Percentage
Low risk	96,300	\$609,240,975	92%	0	unknown	
High Risk	5,462	\$48,362,598	8%	1,055	546	52%

Regardless of whether an application is judgmentally assessed as higher or lower risk, all benefit recipients are expected to have documentation to support their eligibility. By not testing both categories of applications, the department is assuming low-risk applications are eligible. One reasonable way to examine these applications would be for the department to apply a statistical sample to request documentation from applicants in the low-risk population. The results could then be extrapolated over the remaining population and analyzed to provide lessons learned for future programs and determine if further action is necessary.

As the lower-risk recipient population represents the majority of the applications received under the program, the department has not adequately completed post-payment eligibility verification processes as would be expected. Management should also complete its eligibility verification process on its high-risk category.

The department identified new program risks and strategies during program delivery

If a new program risk arose program staff would assess the risk and if significant, the risk was added to the risk register, scored and a treatment strategy was developed. One example was the risk associated with expanding eligibility to include unregistered sole proprietors. To mitigate the risk of not being able to validate corporate information, these applications would require a manual review.

In addition, the department had a dedicated email for inquiries and complaints, and created a Decision Review Team for applicants to appeal decisions. We found 100 of 700 appeals were successful. Management has not done an analysis of why their original decisions were overturned.

The department identified ways to improve and made program changes

Opportunities for program improvement were identified through tracking of program data, analyses of industry statistics and feedback from stakeholders. The department provided documents to support the following program improvements:

- adding phases to the program to align with new public health orders
- expanding eligibility criteria to include unregistered sole proprietors, and reduce revenue loss percentage
- creating batch approvals to get payments to applicants faster
- eliminating the need for a second reviewer in the third phase of the program based on lessons from the first and second phases

The department is still, at the time of writing this, examining lessons learned to determine which can be applied to future programs.

RECOMMENDATION: Complete eligibility verification of approved applications

We recommend the Department of Jobs, Economy and Innovation complete processes to verify the eligibility of approved applications.

Consequences of not taking action

Without completing analysis of both high and low risk applications, the department cannot provide reasonable assurance the majority of program applications were valid and the applicants were eligible. In addition, the department does not have a complete picture of lessons learned that should be considered in designing and delivering future government grant programs.

Program Reporting

Context

Evaluating results is fundamental to learning whether the program is working as intended. Reporting and analyzing differences and trends on an ongoing, timely basis enable the department to adjust the program. By understanding why the differences exist, the department has a better chance of achieving the desired results and applying lessons learned to future programs.

Accountability requires reporting results to stakeholders, typically in results analysis in ministry annual reports. Effective reporting of COVID-19 programs and initiatives lets Albertans understand:

- the strategies and initiatives to deal with the pandemic
- how much money was budgeted and spent
- what the government spent the money on and the results

Criteria

The department should have effective systems to collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the program. The department should:

- compile relevant and accurate program results information
- analyze the results in a timely manner
- report analysis and results on effectiveness of the program to management
- report financial, non-financial and other information, as required, to key stakeholders

Our findings

Key findings

The department:

- compiled weekly status reports for management and executive team
- publicly reported program output information. No program effectiveness reporting has been completed to date.

The department compiled weekly status reports for management and executive team

Program staff extracted statistical data from the grant system and prepared weekly status reports for department management and executive team. Reporting included information on: applications received and organization type, applications by top ten regions and industries, payment processing update and applicant uptake analysis. Management used the reporting to:

- ensure sufficient funds were available based on application uptake and budget
- determine the need for expanded eligibility
- inform resource planning and deal with fluctuations in applications requiring manual review

We did not see evidence of how this internal reporting data was used to assess the effectiveness of the program in offsetting costs incurred during COVID-19 restrictions or lost revenue from mandated COVID -19 closures. Only partial benefit recipient eligibility verification was completed and there was no interim reporting on whether the department achieved its objective of providing financial assistance to eligible enterprises.

The department publicly reported program output information. No program effectiveness reporting has been completed to date.

Program information on program outputs such as the total funding provided under the program and number of recipients was delivered through news releases, ad-hoc reports and the ministry's annual reports. This information also included program updates and notification of program changes.

We found no interim reporting on program effectiveness in ministry annual reports. Effectiveness is dependent not only on getting money out the door quickly, but demonstrating to Albertans the program eligibility criteria were met by intended recipients of the money. The department is planning a comprehensive program evaluation to assess program effectiveness. It is unclear what program effectiveness measures will be used by the department to complete the program evaluation.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.

Audit Responsibilities and Quality Assurance Statement

The department is responsible for the SMERG program.

Our responsibility is to express an independent conclusion on whether the department has effective systems to design, deliver, monitor and report on the SMERG program.

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.